

Report of the auditor-general to the Limpopo provincial legislature and the council on Vhembe District Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of Vhembe District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Basis for adverse opinion

Cash and cash equivalents

6. I was unable to obtain sufficient appropriate audit evidence to confirm the balance of cash and cash equivalents for the current and prior year due to the status of the accounting records. I was unable to confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustment to cash and cash equivalents stated at R85 883 698 (2014: R71 689 739) in note 7 to the financial statements was necessary.

Property, plant and equipment

7. I identified a difference of R96 220 105 (2014: R78 392 591) between the balance of Work in progress as per note 9 to the financial statements and the underlying accounting records, as the municipality did not maintain adequate systems for recording work in progress. Consequently, I was unable to determine whether any adjustments relating to work in progress amounting to R981 036 370 (2014: R666 673 746) in the financial statements were necessary.
8. The municipality did not transfer completed projects from work in progress to infrastructure assets in accordance with GRAP 17, *Property, plant and equipment*. Completed capital projects to the value of R161 456 456 were not unbundled and transferred from work in progress to infrastructure assets. Consequently, infrastructure assets were understated and work in progress was overstated by R161 456 456. I was unable to determine the impact on depreciation for the period and accumulated surplus, as it was impracticable to do so.
9. I was unable to physically verify infrastructure assets that were recorded in the underlying records of the municipality. As the municipality's accounting records did not facilitate easy identification and location of assets recorded in the financial statements, I was unable to confirm the infrastructure assets by alternative means. Consequently, I was unable to determine whether any adjustments to the infrastructure assets balance of R2 336 854 068 as disclosed in note 9 to the financial statements were necessary.
10. I identified immovable properties consisting of a piece of land and a building belonging to the municipality that was not accounted for in the accounting records. The value of these properties could not be determined. Consequently, I was unable to determine whether any adjustments relating to land and buildings of R56 622 634 as disclosed in note 9 to the financial statements were necessary.
11. The municipality removed assets from their records without following a proper transfer process, resulting in an understatement of community assets by R18 827 591. I was not able to determine the impact on the depreciation for the period and on accumulated surplus, as it was impracticable to do so.
12. The municipality did not adequately account for depreciation on property, plant and equipment, as required by GRAP 17, *Property, plant and equipment*. Property, plant and equipment were depreciated using inappropriate useful lives and depreciation rates. Additionally, the useful life and depreciation rates used were not in accordance with the accounting policy of the municipality. I was not able to determine the impact on the net carrying amount of plant and equipment, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment relating to property,

plant and equipment stated at R3 439 796 676 in the financial statements was necessary.

13. The municipality did not adequately assess impairment of property, plant and equipment in accordance with GRAP 21, *Impairment of non-cash-generating assets*. I identified assets with impairment indicators which were not impaired by the municipality. I was not able to determine the impact on the net carrying amount of plant and equipment, as it was impracticable to do so. Consequently I was unable to determine whether any adjustment relating to property, plant and equipment stated at R3 439 796 676 in the financial statements was necessary.

Receivables from exchange transactions

14. During 2014, I identified an unexplained difference of R72 367 504 between the balance of receivables from exchange transactions per the statement of financial position and the underlying records. My audit opinion on the financial statements for the period ended 30 June 2014 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures
15. I was unable to obtain sufficient appropriate audit evidence to confirm the balance of receivables from exchange transactions for the current year due to non-submission of information. I was unable to confirm receivable from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment to the receivables from exchange transactions stated at R59 945 759 in note 4 to the financial statements was necessary.
16. SA Standards of GRAP 104, *Financial Instruments* requires the municipality to first assess whether objective evidence of impairment exists, individually for financial assets that are significant, and then collectively for financial assets that are not individually significant. The municipality made a provision of R205 005 241 (2014: R187 473 868) for the impairment of receivables from exchange transactions as disclosed in note 4 to the financial statements. However, this impairment was not assessed by the municipality at year end in accordance with GRAP 104. I was unable to determine what the impairment charge against receivables from exchange transactions and impairment losses expense should have been if GRAP 104 had been applied correctly, as the relevant information was not available. Consequently, I was unable to determine whether any adjustments relating to receivables from exchange transactions amounting to R59 945 759 (2014: R31 343 221) in the financial statements were necessary.
17. I identified a difference of R30 854 910 (2014: R13 194 642) between the provision for debt impairment as per note 4 to the financial statements and the underlying accounting records. Consequently, the receivables from exchange transactions was overstated by R30 854 910 (2014: R13 194 642). I was not able to determine the impact on impairment losses expense and on accumulated surplus, as it was impracticable to do so as the municipality did not maintain adequate systems for recording the provision for debt impairment.

Receivables from non-exchange transactions

18. The municipality did not recognise all receivables from non-exchange transactions in accordance with GRAP 1, *Presentation of financial statements*. Consequently,

receivables from non-exchange transactions are understated by R27 958 345. There was a resultant impact on the surplus for the period and on the accumulated surplus.

Payables from non-exchange transactions

19. The municipality did not recognise all payables from non-exchange transactions in accordance with GRAP 1, *Presentation of financial statements*. Consequently, payables from exchange transactions and expenditure were understated by R22 001 744 and R7 974 891, respectively, and other income was overstated by R14 026 853. Additionally, there was a resultant impact on the surplus for the period.

Value Added Tax

20. I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as value added tax for the current year. I could not confirm value added tax by alternative means. Consequently, I was unable to determine whether any further adjustment to value added tax stated at R37 449 502 in the financial statements was necessary.
21. During the current year, I identified a prior year difference of R92 334 142 between value added tax as per the statement of financial position and the underlying accounting records, as the municipality did not maintain adequate systems for recording of value added tax. Consequently, the value added tax was understated by R92 334 142. I was not able to determine the impact on surplus for the prior period and on accumulated surplus, as it was impracticable to do so.

Accumulated surplus

22. I was unable to obtain sufficient appropriate audit evidence to confirm the restated balance of accumulated surplus amounting to R3 262 788 412 (2014: R2 998 491 464) as disclosed in the statement of financial position and in the statement of changes in net assets due to supporting documents that could not be obtained for the movement in the balances in the comparative figures. The municipality's records and information available did not permit the application of alternative procedures. Consequently, I was unable to determine whether any adjustments were necessary to the amount disclosed in accumulated surplus.

Revenue from exchange transactions

23. I was unable to obtain sufficient appropriate audit evidence that management has correctly charged consumers for all water supplied and accounted for all revenue from water transactions for the current and prior year. Meter readings were not consistently done on a monthly basis which resulted in consumers not being billed. I was unable to confirm revenue from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments to revenue from exchange transactions stated at R87 208 471 (2014: R86 929 093) in the financial statements were necessary.

Revenue from non-exchange transactions

24. I was unable to obtain sufficient appropriate audit evidence that management has accounted for all revenue from conditional grants for the current year due to the status of the accounting records. I was unable to confirm revenue from conditional grants by alternative means. Consequently, I was unable to determine whether any adjustments to revenue from non-exchange transactions stated at R1 057 013 292 in the financial statements were necessary.

Expenditure

25. I was unable to obtain sufficient appropriate audit evidence that expenditure for the year has been properly accounted for due to the status of the accounting records. I was unable to confirm expenditure incurred by alternative means. Consequently, I was unable to determine whether any adjustment to the expenditure amount stated at R927 456 879 was necessary.
26. Expenditure as disclosed in the statement of financial performance is overstated by R22 691 029 due to duplicate payments that were identified. Due to the limitation of scope mentioned in paragraph 25 I was unable to confirm the actual amount of duplicate payments included in expenditure.
27. I identified sanitation expenditure amounting to R77 933 192 which was incorrectly classified as repairs and maintenance. Consequently, the repairs and maintenance expense was overstated and the sanitation expense was understated by the same amount.

Aggregation of immaterial uncorrected misstatements

28. The financial statements were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following items included in the statement of financial position:
- Inventory reflected as R45 946 778 was overstated by R7 769 775
 - Receivables from exchange transactions reflected as R253 914 460 was overstated by R6 081 405
 - Revenue from exchange transactions reflected as R118 840 791 was understated by R3 124 156.
 - Revenue from non-exchange transactions reflected as R1 072 913 035 was understated by R3 810 941.
 - Payables from exchange transactions reflected as R424 631 394 was understated by R1 544 499.
 - Property, plant and equipment reflected as R3 439 796 676 was overstated by R2 966 543.
 - Intangible assets reflected as R3 331 507 was overstated by R1 479 825.

29. In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm the following by alternative means:

- Receivables from exchange transactions of R507 250 as included in the disclosed balance of R59 945 759.

Commitments

30. During 2014, I identified an unexplained difference of R 818 481 906 between the commitment register and the commitments disclosed in note 43. My audit opinion on the financial statements for the period ended 30 June 2014 was modified accordingly. My opinion on the current period's financial statements is also modified because of the effect of this matter on the comparability of the current period's figures.

31. The municipality did not record all contracts committed to, which resulted in commitments being understated by R357 267 104. In addition, I was unable to obtain sufficient appropriate audit evidence that all commitments had been recorded, as the municipality did not have adequate systems and I could not confirm this by alternative means. Consequently, I was unable to determine whether any further adjustment to commitments stated at R707 604 248 in note 43 to the financial statements was necessary.

The municipality does not have an adequate contract management system to correctly update and validate the disclosed commitments. Project payments were incorrectly allocated which resulted in commitments being understated by R 33 715 563.

Irregular Expenditure

32. As disclosed in note 40, to the financial statements, the municipality incurred irregular expenditure of R 204 975 302 during the current year due to contravention of the Municipality's SCM Policy. Additionally, I identified contracts that were awarded in contravention of SCM policy amounting to R455 281 102. Due to the lack of a proper system of internal control for identification and recording of irregular expenditure, I was unable to confirm the amounts relating to these contracts that were expended in the current year. Consequently, I am unable to determine if any adjustments to irregular expenditure stated at R475 394 175 were necessary.

Fruitless and wasteful expenditure

33. The municipality incurred fruitless and wasteful expenditure amounting to R16 089 331 which was not disclosed in the fruitless and wasteful expenditure note, resulting in fruitless and wasteful expenditure being understated by this amount. Furthermore, the municipality did not include particulars of fruitless and wasteful expenditure in the notes to the financial statements as required by Section 125(2)(d) of the MFMA.

Cash flow statement

34. The SA Standards of GRAP, GRAP 2, *Cash flow statements* requires that the municipality summaries the entity's operating, investing and financing activities. The cash flow statement and the related notes are not fairly stated due to the material effects of the identified misstatements as reported in this report.

Adverse opinion

35. In my opinion, because of the significance of the matters described in the basis for adverse opinion paragraphs, the financial statements do not present fairly the financial position of the Vhembe District Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and the DoRA.

Emphasis of matters

36. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Significant uncertainties

37. With reference to note 32 to the financial statements, the municipality is a defendant in various legal claims. The municipality is opposing the claims amounting to R45 284 220 as it believes it has reasonable grounds to defend each claim. The outcome of the legal claims cannot be determined presently.

Material losses/ impairments

38. As disclosed in note 4 to the financial statements, material impairments to the amount of R17 531 373 were incurred as a result of inadequate collection practices.
39. As disclosed in note 42 to the financial statements, material water losses to an amount of R374 300 521 were incurred as a result of inadequate management of water distribution.

Material underspending of the conditional grant

40. As disclosed in note 13 of the statement of financial position, the municipality has materially underspent on conditional grants to the amount of R174 699 562.

Unauthorised expenditure

41. As disclosed in note 38 to the financial statements, the municipality incurred unauthorised expenditure of R258 007 614 as a result of expenditure incurred in excess of the amounts provided for in the votes of the approved budget.

Financial sustainability

42. Note xx to the financial statements indicates that the municipality's current liabilities exceeded its current assets by R193 125 360. This condition, along with other matters as set forth in note xx, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Additional matters

43. I draw attention to the matters below. My opinion is not modified in respect of these matter matters

Unaudited supplementary schedules

44. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

45. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. The disclosure requirements did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Report on other legal and regulatory requirements

46. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

47. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2015:
- Objective 1: Water services and infrastructure services: Sustainable infrastructure and services.
 - Objective 2: Community services: Justice, community service and safety.
48. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
49. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).

50. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
51. The material findings in respect of the selected objectives are as follows:

Usefulness of reported performance information

Objective 1: Water services and infrastructure services: Sustainable infrastructure and service

52. Section 41(c) of the Municipal Systems Act requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 27% of the reported objectives, 27% of indicators, 45% of targets were not consistent with those in the approved integrated development plan.
53. Section 25(2) of the Municipal Systems Act determines that an integrated development plan adopted by a municipal council may be amended in accordance with the process as prescribed per section 34 of the Municipal Systems Act, and that such a plan remains in force until an integrated development plan is adopted by the next elected council. Material changes were made to the objectives and indicators in the annual performance report, without following the process as prescribed in section 34 of the MFMA.
54. The processes and systems that produced the indicator/measure should be verifiable, as required by the FMPPI. A total of 27% of the indicators were not verifiable. This was because management did not adhere to the requirements of the FMPPI.

Objective 2: Community services: Justice, community service and safety

55. Section 41(c) of the Municipal Systems Act requires the integrated development plan to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 57% of the reported objectives were not consistent with those in the approved integrated development plan.
56. Section 25(2) of the Municipal Systems Act determines that an integrated development plan adopted by a municipal council may be amended in accordance with the process as prescribed per section 34 of the Municipal Systems Act, and that such a plan remains in force until an integrated development plan is adopted by the next elected council. Material changes were made to the objectives, indicators and targets in the annual performance report, without following the process as prescribed in section 34 of the MFMA.
57. Performance measures were not clearly defined so that data can be collected consistently and is easy to understand and use. Performance measures were also not verifiable.
58. The measurability of planned targets and indicators could not be assessed due to formal standard operating procedures or documented system descriptions.

Reliability of reported performance information

Objective 1: Water services and infrastructure services: Sustainable infrastructure and service

59. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not valid, accurate and complete when compared to the source information or evidence provided. This was due to a lack of monitoring of the completeness of source documentation in support of actual achievements.

Objective 2: Community services: Justice, community service and safety

60. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. Adequate and reliable corroborating evidence could not be provided for significantly important targets to assess the reliability of the reported performance information. The auditee's records did not permit the application of alternative audit procedures.

Additional matter

61. I draw attention to the following matters; our conclusion is not modified in respect of these matters.

Achievement of planned targets

62. Refer to the annual performance report on page(s) x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on usefulness and reliability for the selected objectives reported in paragraph(s) x; x of this report.

Unaudited supplementary schedules

63. The supplementary information set out on pages XX to XX does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report thereon.

Compliance with legislation

64. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual reports

- 65. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA.
- 66. Material misstatements identified by the auditors in the submitted financial statements were not corrected and the supporting records could not be provided, which resulted in the financial statements receiving an adverse audit opinion.

Internal audit

- 67. The internal audit unit did not advise the accounting officer on matters relating to compliance with the MFMA, the DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

Conditional grants received

- 68. The Municipal Infrastructure Grant allocation was not spent in accordance with the applicable grant framework, in contravention of section 17(1) of the DoRA.
- 69. The Public Transport Infrastructure Grant allocation was not spent in accordance with the applicable grant framework, in contravention of section 17(1) of the DoRA.
- 70. The Municipal Systems Improvement Grant allocation was not spent in accordance with the applicable grant framework, in contravention of section 17(1) of the DoRA.
- 71. The Local Government Financial Management Grants allocation was not spent in accordance with the applicable grant framework, in contravention of section 17(1) of DoRA.

Expenditure management

- 72. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
- 73. An effective system of expenditure control, including procedures for the payment of funds, was not in place, as required by section 65(2)(a) of the MFMA.

Unauthorised, irregular and fruitless and wasteful expenditure

- 74. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1) of the MFMA.

Procurement and contract management

- 75. Contract and quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13 (c).

76. The performance of contractors or service providers was not monitored on a monthly basis, as required by section 116 (2) (b) of the MFMA.
77. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management as required by section 116 (2) (c) of the MFMA.
78. Awards were made to providers who are in the service of other state institutions in contravention of the MFMA 112 (j) and SCM regulation 44.
79. Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2).

Revenue management

80. A tariff policy was not adopted and implemented for the levying of fees for provision of municipal services, as required by section 74(1) of the MSA and section 62(1)(f)(i) of MFMA.
81. A credit control and debt collection policy was not maintained and implemented, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of MFMA.
82. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
83. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
84. Accounts for municipal services were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.
85. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.

Asset and liability management

86. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
87. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
88. Capital assets were transferred without the approval of the council, as required by section 14(2)(a) of the MFMA.
89. Short-term debt was incurred without a resolution of the municipal council approving the debt agreement, in contravention of section 45(2)(a) of the MFMA.

Consequence management

90. Unauthorised, irregular, fruitless and wasteful expenditure incurred by the municipality was not always investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.

91. Unauthorised, irregular, fruitless and wasteful expenditure was not always recovered from the liable person, as required by section 32(2) of the MFMA.
92. Cases of financial misconduct which constitute a crime committed by senior managers were not always reported to the South African Police Service, as required by section Municipal Disciplinary regulations for senior managers 8(4) and Municipal regulations on financial misconduct procedures and criminal proceedings 10(1).

Internal control

93. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for adverse of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

94. The municipality's accounting officer post has been vacant for the year under review and there were people acting in that capacity. The instability in the position of the accounting officer has resulted in a break down in internal controls. Significant findings that were identified during the audit require the accounting officer to hold senior managers accountable.
95. Management did not always provide the required supervision and review over daily and monthly recording and reconciliation of transactions and account balances to ensure that the municipality complies with will applicable financial reporting.
96. Actions plans were developed however; they were not fully implemented, reviewed and monitored during the course of the year and thus the reoccurrence of the findings that were reported on in the prior year.

Financial and performance management

97. The Municipality did not have a proper system of record management that provides for the maintenance of information that supports the reported performance contained in the annual performance report.
98. The Municipality did not develop an effective system which verified the accuracy, completeness and the reliability of the reported performance contained in the annual performance report.
99. The financial statements were not reconciled to the underlying records to ensure the accuracy, completeness and reliability of the reported financial results.
100. Monthly reconciliations for financial reporting and compliance with laws and regulations were not subjected to proper review to ensure accuracy, completeness and reliability of the reported financial results.

Governance

101. Those charged with governance did not provide adequate oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

Other reports

Investigations

102. On 1 August 2014 the President of the Republic of South Africa signed a proclamation authorising the Special Investigations Unit (SIU) to investigate the maladministration, unlawful and or improper conduct by officials for unlawful appropriation of public funds, irregular expenditure and negligent loss of public funds which took place between 1 May 2010 and the date the date of the Publication of the Proclamation being the 1 August 2014. The investigation is still ongoing at the reporting date.
103. An independent consulting firm performed an investigation at the request of the Municipality. The investigation was initiated based on an allegation of possible misappropriation of the municipality's assets. The investigation concluded on 17 September 2015 and resulted in criminal proceedings being instituted against three employees. These proceedings are currently in progress.

Auditor-general

Auditor-General

Polokwane

30 November 2015



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence